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Reappraising Montana's Coal Severance Tax

Report and Recommendations of Coal Tax Oversight Subcommittee

November 15, 1984

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REAPPRAISING MONTANA'S
COAL SEVERANCE TAX:

REPORT AND RECOMMENDATIONS

of

COAL TAX OVERSIGHT SUBCOMMITTEE

November 1984

Section 5-18-203, Montana Code Annotated, Requires the Coal Tax Oversight Subcommittee to Report to and Make Recommendations to the Revenue Oversight Committee.

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MONTANA LEGISLATIVE COUNCIL

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MEMBERSHIP

COAL TAX OVERSIGHT SUBCOMMITTEE

Representative Glenn A. Roush,
Chairman

Senator Delwyn Gage,
Vice-Chairman

Representative Jack Sands

Senator B. F. Christiaens

Senator Thomas E. Towe
Liaison, Revenue Oversight Committee

MONTANA LEGISLATIVE COUNCIL

Representative Rex Manuel, Chairman

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COAL BOARD GRANTS AWARDED FROM
JANUARY 1, 1976, THROUGH JUNE 30,
1984 A

COAL SEVERANCE TAX REVENUE AND
ALLOCATIONS FISCAL YEAR 1976 THROUGH
FISCAL YEAR 1984 INCLUSIVE B

BILLS RECOMMENDED FOR PASSAGE C

LC 43
LC 82
LC 178

COAL SEVERANCE TAX APPORTIONMENT GRAPHS D

Current Allocations

Allocations between July 1, 1986,
and June 30, 1987

Allocations between July 1, 1987,
and June 30, 1993

SUMMARY OF ACTIVITIES

During the 1983-84 interim, the Coal Tax Oversight Subcommittee fulfilled its statutory responsibilities and held 10 meetings. In detail, the Subcommittee:

Reviewed each program financed by coal severance tax funds and received reports from the administering agency for each program;

Monitored activities of the Coal Board and cooperated with Coal Board members and staff to develop legislative proposals to improve the Coal Board's ability to assist impact areas and impact-of-decline areas;

Heard proposals for use of coal severance tax funds for coal research and development and endorsed such use as an avenue to stimulate Montana's economy through increased production and employment with resulting benefit to state and local government in the form of expanding tax sources;

Heard and supported a request from the Office of Public Instruction for funding from coal severance tax proceeds for vocational-technical education centers to reduce the additional levies on property in the centers' home districts;

Inspected the Great Plains Coal Gasification Plant at Beulah, North Dakota, to understand better the magnitude of the project proposed by Tenneco at Wibaux;

Held a joint public meeting at Beulah, North Dakota, with the North Dakota Legislature's Tenneco Plant Committee to discuss potential impacts on local governments in both states of the proposed Tenneco Plant at Wibaux;

Hosted a delegation from the North Dakota Tenneco Plant Committee at Billings and received a draft of a proposed interstate compact to mitigate impacts on local governments;

Conducted a public meeting at Wibaux to receive local opinions on prospective impacts and on the future of mineral development, where the question was raised why the coal producing area is not represented on the subcommittee;

Toured the proposed Tenneco mining areas and plant site and inspected the location of the proposed diversion from the Yellowstone River;

Conducted a public hearing to review the level of and the impact of the coal severance tax in relationship to competition from other producing states, effects of transportation costs, and prospects for future markets for Montana coal;

With Joint Interim Subcommittee No. 3, heard reports from the Board of Investments and the Board of Economic Development on the investment of the permanent coal tax trust fund and other coal tax-related funds;

Heard and endorsed a proposal from the Department of Natural Resources and Conservation to create a Natural Resource Legacy Program funded from the Resource Indemnity Trust Fund to mitigate impacts or repair damage from natural resource extraction that are not covered by state or federal programs and for which no party is clearly liable;

Toured Westmoreland's Absaloka Mine, Western Energy's Rosebud Mine, and Montana Power Company's Colstrip electric power generating complex;

Toured the proposed Montco Mine area near Ashland;

Conducted one public meeting in Great Falls and two public meetings in Billings;

Was represented at the convention of the Montana Association of Planners by two members who participated in panel discussions of the use of coal severance tax funds to finance county land planning functions;

Was represented by the chairman who spoke at the Montana Coal Forum sponsored by Montana College of Mineral Science and Technology; and

Heard appeal from residents of Sarpy Creek area of Treasure County for highway work to repair damage caused by coal traffic and asked the Department of Highways to propose solution.

RECOMMENDATIONS

The Coal Tax Oversight Subcommittee recommends for enactment by the 49th Legislature:

LC 43: "An act authorizing the use for four years of coal severance tax proceeds for development, operation, and maintenance of all state parks, recreational areas, monuments, or historical sites; amending section 15-35-108, MCA; and providing an effective date."

LC 82: "An act specifying allowable uses of county land planning funds; amending section 90-1-108, MCA; and providing an effective date."

LC 178: "An act establishing an impact of decline account to receive unexpended Coal Board appropriations; authorizing the Coal Board to designate local government units for impact and impact of decline grants and to award impact of decline grants and loans; reducing from 50% to 25% the grants to designated areas; providing an exception to the reversion law; amending sections 17-7-304, 90-6-202, 90-6-205, 90-6-207, 90-6-208, and 90-6-211, MCA; and providing an immediate effective date."

The Coal Tax Oversight Subcommittee further recommends that:

- (1) Appropriations to the Coal Board be effective for the entire two-year period of a biennium.
- (2) \$2,100,000 a year be allocated from coal severance tax proceeds to reduce additional levies to support vocational-technical education centers.

- (3) Coal research be supported by coal severance tax proceeds with participation by coal companies and that such a program become self-sustaining.

- (4) \$12,000 be appropriated from the Local Impact and Education Trust Fund Coal Tax Account to the Legislative Council for the biennium ending June 30, 1987, for the operation of the Coal Tax Oversight Subcommittee.

SUBCOMMITTEE DELIBERATIONS

From its organizational meeting on August 11, 1983, through its final meeting on November 8, 1984, the Coal Tax Oversight Subcommittee reviewed closely severance tax funded programs, considered proposed modifications of several programs, and scrutinized the level of and the effect of the severance tax.

State Parks Funding

The action of the 1983 Legislature in allocating part of the coal severance tax proceeds for highway uses is expected to reduce the portion available to parks and to other allocations by about 12 percent after 1986 and by about 24 percent after 1987. This sharp cut in income requires careful planning for most advantageous use of the available funds.

However, the most significant problem facing the state parks' administrators appears not to be the total money available but the restrictions on its uses.

Funding from the Parks and Cultural Trust made it possible for the Department of Fish, Wildlife, and Parks to acquire in the past few years many sites that will enrich the recreational and cultural lives of the people of Montana. Acquisition is only the first step. Other costly responsibilities result from the necessity to develop, maintain, and operate these properties and the entire state parks system.

Coal severance tax funds use was restricted to acquisition and to development, operation, and maintenance of sites so acquired. Use of coal

severance tax funds on sites not acquired with those funds was prohibited.

The Subcommittee recognizes the validity and the urgency of the Department's request for the means to improve and maintain its parks properties. To achieve that objective, the Subcommittee proposes to broaden the law to allow the use for four years starting July 1, 1985, of two-thirds of the income of the Parks and Cultural Trust fund on development, operation, and maintenance of all state parks, recreational areas, monuments, or historical sites as well as for acquisition.

Additional demands stem from a fundamental shift occurring in this decade that has focused attention on the need for state parks sites in urban surroundings where the public usage is heavy, with resulting higher operating costs.

Cultural and Aesthetics Grants

The executive director of the Montana Arts Council reported to the Subcommittee on the grant programs funded from coal severance tax sources and the criteria for selecting grantees.

The Subcommittee received and reviewed the list of funded projects.

The Subcommittee proposed no change in the law authorizing the cultural and aesthetics grants.

Montana State Library

Coal severance tax money is an important source of funding for the Montana Library Federation, which consists of six regional libraries, with the State Library in Helena coordinating functions and administering distribution of funds for two statutory purposes: first, basic library services through federations; and second, participation in costs of regional and national library networks.

Coal severance tax money used for Montana's participation in regional and national networking through appropriations to the Montana State Library amounted to 15.7 percent of the library allocation in fiscal 1984, a proportion that has declined slightly from previous years.

No modifications of the State Library's coal severance tax allocation were considered by the Subcommittee.

Department of Natural Resources and Conservation

Six programs supported by allocations of coal severance tax revenue are administered by DNRC. The programs and their percentage allocation of the coal tax:

Renewable Energy and Conservation, 2.25%; Conservation District Grants, .25%; Renewable Resource Development Grants and Loans, .46875%; Water Development Projects, .625%; Rangeland Loan Program, .09375%; and Conservation District Water Reservation, 0.625%.

Thorough reports on all of these programs were received, and the Subcommittee proposed no adjustments in them.

Subcommittee members requested a report on the uses of the proceeds of the Resource Indemnity Trust Tax. That report was presented along with a proposal to establish a Natural Resource Legacy Program to repair, reclaim, or mitigate environmental damage from past or future resource extraction.

Lengthy presentations on the Legacy Program were heard at two meetings of the Subcommittee. The proposal was endorsed by the Subcommittee after it made clear its objection to inclusion of reforestation of areas damaged by poor forest management practices unconnected to extraction of natural resources other than timber. The Subcommittee also emphasized that the Legacy Program's assistance for social and economic impacts of natural resource development should be limited to industries not covered by the Hard Rock Mining Act or Coal Board legislation.

Department of Commerce

The use of the allocation of 0.5% of the coal severance tax was reviewed by the Subcommittee, which received a request from the Department for an amendment of language in 15-35-108, MCA, to clarify the statutory intentions. The Subcommittee agreed the request was well advised and approved for introduction a bill to authorize but not limit the use of county land planning funds for "comprehensive planning, economic development planning, and capital improvements planning."

Board of Regents

During the 1983-84 academic year, 138 Montana resident students attended institutions of higher education outside the state under the programs of the Western

Interstate Commission for Higher Education (WICHE). Coal severance tax money used to support WICHE totaled \$1,719,938 in 1983-84 and \$1,902,667 in 1984-85.

Montanans studying under WICHE were enrolled in professional schools not available in the Montana University System.

The Subcommittee proposed no change in the WICHE support, although members discussed the possibility of requiring Montana graduates of the WICHE, who typically enjoy high earning power, to repay at least a portion of their WICHE-funded costs to establish a revolving fund to support this program in the future.

Office of Public Instruction

The coal severance tax assists in financing public education in several ways: five percent of the tax proceeds goes to state equalization aid and now generates about \$5.86 million annually; the interest from the Local Impact and Education Trust is allocated 10 percent to postsecondary vocational-technical centers and adult basic education, 67.5 percent to state equalization aid for public schools, and 22.5 percent to the Board of Regents, for interest totals of about \$5.9 million in fiscal year 1985.

Stressing the viewpoint of the Superintendent of Public Instruction that the most productive use of coal severance tax funds would be to enhance the learning opportunities for children and adults, OPI pressed for an allocation to reduce the additional local levies now imposed in the home districts of the five vocational-technical education centers.

The Subcommittee members agreed that the vocational-technical centers' allocation is a worthy use for the coal severance tax funds, but the members could not agree on the present allocation within the coal tax pie from which the vo-tech funds would be diverted.

The Subcommittee recommended to the Revenue Oversight Committee that \$2.1 million a year from coal severance tax revenues be allocated to vocational-technical centers without designating which current use would be reduced.

Coal Board

Charged with administering the programs of grants and loans to lessen the impacts of coal development on local governments within the mining areas, the Coal Board has available for distribution upwards of \$7 million a year.

Appendix A is a tabulation of all assistance to local governments since establishment of the Coal Board.

Changing circumstances in the coal industry are reflected in the needs of the communities where mining occurs, and the Coal Board asked the Subcommittee to recommend several changes in the law to make its programs more effective.

Among the needed changes cited by the Coal Board:

- (1) modifying the prohibition on repayment of Coal Board loans from property tax sources;

- (2) modifying the population designation criteria to include a decline as well as an increase;
- (3) reducing from 10 percent to 5 percent the qualifying population change;
- (4) making the designation of one local government unit within a county inclusive of all;
- (5) reducing from 50 percent to 25 percent the proportion of grants mandated to designated local governmental units;
- (6) recognizing impact of decline as a legitimate need to be met by Coal Board grants and loans;
- (7) reserving unexpended portions of the Coal Board's appropriations for impact of decline assistance; and
- (8) giving the Coal Board rather than the Department of Commerce authority to make the population designations.

The Subcommittee supported (2), (5), (6), (7), and (8), and those changes are included in bills it requested. The Subcommittee declined to recommend (1), (3), and (4).

The Subcommittee approved the Coal Board's request that its appropriations be effective for an entire biennium rather than for one year as in the past. This change will alleviate the problem of unexpended appropriations reverting at the end of one year.

Impact of Montana's Coal Severance Tax

Undoubtedly the most significant activity of the Subcommittee during the interim was the review of the level of the coal severance tax, its effect upon production and employment, and its bearing upon the future of the coal industry in Montana.

The penetrating review of the severance tax impact began with a full-scale hearing on January 19, 1984, when the Subcommittee heard coal industry and utility representatives denounce the rate as excessive, the state administration defend it as a reasonable and justifiable levy to compensate future Montanans for the loss of an irreplaceable natural resource, the railroad argue that its freight rates do not impose an unfair competitive burden upon Montana producers, and a full range of opinions from dozens of citizens.

Recognizing that the oldest purchase contracts for Montana coal will expire by the early 1990s and that prolonging the life of the state's coal industry will depend upon renewal of contracts and negotiation of new contracts during the ensuing decades, the Subcommittee continued to discuss the severance tax rate. At the final meeting of the interim, the Subcommittee declined, on a tie vote, to recommend the allowance of a deduction from the coal contract sales price to offset costs of hauling, crushing, load-out, and reclamation, which would have effectively reduced the amount of severance tax collected.

Opponents of the proposed deduction on the Subcommittee emphasized they feel that two more legislative sessions

between 1985 and 1990 will allow ample opportunity to amend the severance tax rate if a change is necessary for reasons of competition.

Continued close monitoring of the competitive situation and of the relationship of the severance tax rate to industry trends was advised so Montana can foresee and recognize influences that may require modification of its laws.

Coal Research and Development

During two of its meetings late in the interim, the Subcommittee discussed the benefits of research and development in coal utilization, products, and marketing and the advisability of allocating part of the coal severance tax proceeds to such activities.

Presentations were heard from research specialists of the University System and from private consultants. Suggested were programs of research and development to coordinate with the proposals of the Governor's Advisory Council on Science and Technology, which would be partially funded from coal severance tax sources. Another proposal envisioned a Montana Coal Laboratory that would utilize facilities of several units of the University System.

The Subcommittee generally supports use of coal severance tax proceeds for research and development but believes the coal industry should share in the costs and in the establishment of objectives. The Subcommittee emphasized, however, in a letter to the Governor's Advisory Council on Science and Technology that it believes that appropriation of money from the permanent trust fund for research purposes would be difficult to achieve.

In concluding its study of the subject of coal research and development, the Subcommittee formally resolved:

"We support use of coal severance tax money for coal research and encourage participation by coal companies and recommend that such a program should become self-sustaining."

Tenneco Plant Impacts

To fulfill its mandate to cooperate with North Dakota to develop means to mitigate impacts in both states caused by construction by Tenneco of a coal gasification plant at Wibaux, the Subcommittee met in North Dakota with that state's Tenneco Plant Committee.

The North Dakota committee later sent a delegation to Billings to present a draft of a proposed Interstate Compact intended to create a mechanism for the two states to jointly solve impact problems. The Subcommittee reviewed the draft and suggested several changes in language and structure.

The question of mitigation of impacts was made moot by Tenneco's announcement in mid-1984 of indefinite postponement of the Wibaux project and termination of all planning. The project could be revived, but there is no prospect of a start of construction within the next 10 years.

With that fact in mind, the Subcommittee informed the North Dakota committee of its belief that the planning process should continue, but it is not now prepared to recommend any specific funding for the Interstate Compact.

Coal Area Representation

During the public meeting that the Subcommittee conducted at Wibaux, a cogent comment was that the coal-producing areas lacked representation on this Subcommittee which is directly concerned with the welfare of residents of the areas.

The Subcommittee recognized the validity of the comment and pointed out that until this interim a legislator from the coal-producing area had been a member. While not conceding that the effectiveness of the Subcommittee is in any way diminished by the lack of representation from the coal-producing area, the Subcommittee suggested that in the future such representation would be beneficial.

Funding of the Subcommittee

The significance of the coal severance tax in supporting Montana state government and in mitigating local impacts, plus the necessity to continue to review the effects of the tax, give particular urgency to the activities of the Coal Tax Oversight Subcommittee.

The appropriation of \$10,000 to the Subcommittee for this biennium was found to be insufficient to fund its activities.

For the next biennium, the Subcommittee requested by a 3-1 vote (Representative Sands dissenting) appropriation of \$12,000 from the Local Impact and Education Trust Fund to be used for the activities of the Coal Tax Oversight Subcommittee.

APPENDIX A

COAL BOARD GRANTS

January 1, 1976, through June 30, 1984

#0002	Colstrip Elementary School	\$1,799,636.33
#0002/0003	Colstrip School Equipment	93,696.97
#0003	Colstrip High School	1,022,317.50
#0004	Ashland Elementary School	800,000.00
#0005	Rosebud School District	465,000.00
#0006	Rosebud County Planning	32,000.00
#0007	Forsyth Elementary School	2,499,428.81
#0008	Forsyth High School	27,000.00
#0009	Forsyth Water Treatment	615,000.00
#0010	Forsyth Wastewater Pump	150,000.00
#0012	Forsyth Sewage	25,000.00
#0014	Colstrip Sewage Treatment	538,000.00
#0015	Ashland Water & Sewer	71,080.00
#0016	Rosebud County Jail	100,000.00
#0017	Hardin Sewer & Lagoon	266,475.00
#0018	Hardin Capital Equipment	128,154.76
#0019	Lodge Grass Capital Equipment	125,250.00
#0020	Hysham Water Distribution	388,440.00
#0022	16th Judicial District	24,829.23
#0024	Lodge Grass Water Line	171,556.18
#0027	Forsyth Capital Equipment	154,682.53
#0028	Hardin Elementary School	2,041,647.99
#0029	Hardin High School	1,167,999.99
#0030	Treasure Co. Health Nurse	9,355.00
#0031	Sagebrush Library	51,272.00
#0033	Miles Community College	1,526,455.52
#0037	Colstrip Street Cleaner	82,102.56
#0038	Colstrip Water Treatment	620,215.35
#0042	Dawson County Census	11,108.34
#0043	McCone County Planning	42,000.00
#0046	Hardin Water System	260,900.00
#0047	Hardin Sewer Trunk Main	746,978.55
#0054	Laurel Public Schools	228,825.00
#0055	Hysham Sewer System	56,360.00
#0056	Laurel Water Treatment	583,772.00
#0057	Forsyth Municipal Water	81,331.71
#0058	Forsyth Capital Equipment	44,273.06
#0059	Colstrip Elementary School Equipment	38,544.70
#0060	Rosebud County Sewer	49,400.00
#0061	Treasure Co. Patrol Car	6,667.31
#0062	Ashland Volunteer Fire Dept.	44,741.00
#0063	Lodge Grass Capital Equipment	60,619.95
#0064	Forsyth Solid Waste	203,934.50
#0068	Tri-County Solid Waste Plan	268,004.34
#0069	Big Horn County Courthouse	416,000.00
#0072	Hysham Capital Equipment	49,982.00
#0074	Custer County Water & Sewer	358,000.00
#0075	Forsyth Elem. School/Const. & Equipment	193,082.18
#0076	Forsyth High School/Const. & Equip.	290,938.88
#0078	Hardin Capital Equipment	57,388.00
#0079	Treasure County Planning	17,000.00

#0080	Colstrip Community Services Facility	324,526.00
#0081	Forsyth Capital Equipment/Truck	26,278.70
#0083	Big Horn County Rural Fire Equip.	75,000.00
#0085	Ashland Water & Sewer Bond	102,844.00
#0086	Forsyth Schools/Remodeling & Equip.	35,000.00
#0087	Treasure County Shop Complex	389,833.00
#0089	Hardin Capital Equip./Black Topper & Truck	15,877.60
#0090	Lame Deer Schools/Comprehensive Plan	18,420.00
#0091	Miles City Public Library	82,600.00
#0093	City of Billings/Planning Grant	50,000.00
#0094	laurel Sewer Line Extension & Equip.	231,419.00
#0095	Hardin Water Line Replacement	463,173.71
#0099	Hysham Water Renovation	101,900.00
#0100	Big Horn County/Law Enforcement Comm. Equip.	38,900.00
#0103	Ashland Sewer Line Repair	101,400.00
#0107	Forsyth H.S./Remodeling & Additions	1,750,000.00
#0109	Colstrip Schools/Educational Facilities Plan	34,500.00
#0111	Colstrip Fire Truck	51,750.00
#0113	Financial Assessment System	44,000.00
#0114	City of Glendive/Street Paving	38,516.00
#0115	City of Red Lodge/Comprehensive Plan	7,362.00
#0117	Rosebud Co./Law Enforcement Equip. & Services	48,198.68
#0119	Spring Creek Co. Water & Sewer/Facilities Const.	196,742.31
#0120	Rosebud County/Mental Health Services	20,514.31
#0121	Hardin Storm Sewer System Improvement Study	10,000.00
#0122	Lame Deer Schools Construction	449,954.86
#0123	Rosebud County/Gravel Crushing Equipment	189,249.00
#0124	Colstrip Elem. School/New Construction	1,665,000.00
#0125	Colstrip High School/New Construction	3,367,833.00
#0126	Forsyth City Hall	225,000.00
#0128	Rosebud Co./Emergency Medical Services Radio	2,180.00
#0129	Rosebud Co./Juvenile Probation Officer	18,000.00
#0131	DCA/Impact Assistance Field Office	43,235.55
#0132	Rosebud County/RSID #74	675,000.00
#0133	Town of Hysham/Building Addition	20,886.90
#0135	Treasure County/Law Enforce. Vehicles & Services	27,354.00
#0136	Big Horn County/Nursing Home Construction	250,000.00
#0137	Treasure County/Capital Equipment	35,000.00
#0138	Rosebud Co. RSID #74/Transmission Water Main	103,725.00
#0139	Rosebud Co. RSID #74/Water Storage Reservoir	312,925.00
#0142	Rosebud Co. RSID #74/Consolidated Water & Sewer	404,850.00
#0146	Big Horn County/Road Equipment	322,000.00
#0147	City of Hardin/Water System Expansion	675,000.00
#0149	Big Horn County/Decker Area Shop Facility	137,500.00
#0150	Treasure County/Front-end Loader & Attachments	172,945.00
#0151	City of Billings/Special Crime Invest. Unit. Equip.	125,400.00
#0152	Forsyth Fire Truck	99,857.29
#0154	Treasure County Health Center	11,626.00
#0158	Town of Lodge Grass/Law Enforce. Const. & Equip.	57,000.00
#0160	Rosebud Co./Colstrip Water Treat. Plant Expansion	1,106,000.00
#0161	Rosebud County/Comprehensive Human Service Program	201,177.00
#0162	Dawson Co./West Glendive Wastewater Survey Study	53,500.00
#0163	Town of Wibaux/Water & Wastewater System Plan. Study	16,000.00

#0164	Rosebud County/Mental Health Services Renewal	35,000.00
#0165	Big Horn County/Decker Area Employee Housing	71,317.00
#0166	Custer County/Impact Planning	21,000.00
#0167	Treasure County School District/Storage Building	17,300.00
#0169	City of Hardin/Sewer Cleaning Equipment	50,000.00
#0170	Colstrip Fire District/Fire Station Const. & Equip.	153,212.00
#0174	Rosebud County (RSID#1-72-S)/Sewage Plant Improv.	205,000.00
#0176	Eastern Counties/Law Enforcement Support Services	650,920.00
#0178	Montana State University/Impact Assess. Modeling	40,000.00
#0179	Rosebud County/Airport Necessity Study	15,095.00
#0180	City of Forsyth/Sewer Trunk & Collection Lines	610,000.00
#0181	City of Glendive/Water & Sewer System Analysis	54,096.99
#0182	Treasure County/Ambulance	37,708.00
#0186	Town of Lodge Grass/Water System Improvements	43,878.61
#0187	Town of Lodge Grass/Sewer System Improvements	181,876.00
#0190	Forsyth School District #4/Paving and Equipment	185,258.00
#0191	Rosebud County/Mental Health Services Renewal II	40,061.36
#0192	Big Horn County/County Hospital Remodeling	1,088,162.00
#0193	Montana Board of Crime Control/Impact Handbook	25,000.00
#0194	Treasure County School District/School Constr.	1,395,403.50
#0195	Treasure County/Road Equipment and Services	175,000.00
#0196	Rosebud Co./Airport Site Study	46,404.00
#0197	City of Hardin/Pumper Fire Truck	64,000.00
#0198	Lame Deer School District #6/Phy. Ed. Facility	2,215,968.00
#0199	Dawson Community College Dist.#1/Student Center	298,000.00
#0200	Rosebud County/Colstrip Ambulance	44,000.00
#0201	Big Horn County/Solid Waste Canister Site	44,530.00
#0202	Rosebud County/Maintenance Equipment	136,291.00
#0205	Musselshell County/Rural Planning Study	36,650.00
#0209	Hardin School District#1/Boiler Conversion	271,000.00
#0210	Lodge Grass Elem. S.D.#27/Classroom Constr.	536,228.00
#0211	Lodge Grass High S.D. #2/Boiler Retrofit	507,600.00
#0212	Huntley Project S.D. #24/Elementary Addition	369,261.00
#0213	City of Hardin/Equipment Storage Building	67,937.00
#0214	Ashland School District #32.1/Teacher Housing	228,000.00
#0215	City of Forsyth/Water System Improvements	10,000.00
#0216	Ashland Fire District/Construction & Equip.	46,000.00
#0217	Treasure County/Sheriff's Patrol Car	9,975.00
#0218	Rosebud County RSID#75/Water & Sewer Improv.	920,000.00
#0219	Forsyth School District #4/Storage Bays & Paving	175,100.00
#0221	Big Horn County/Nursing Home Storage Facility	25,554.00
#0222	Rosebud County/Mental Health Services - Ren III	44,144.00
#0223	City of Hyskam/Fire Equipment	3,935.00
#0224	City of Forsyth/Fire Apparatus Testing Equipment	7,092.50
#0226	Miles Co. College/Colstrip Education Center	119,235.00
#0228	Big Horn County/Decker Community Hall	130,350.00
#0229	Montana State Univ./Coaltown Model Renewal	43,000.00
#0232	Rosebud County/Hospital Construction	219,000.00
#0233	Lodge Grass H.S. Dist. #2/Vo-Ed. Construction	1,626,186.00
#0234	Rosebud School Dist./Wall Reinforcing	130,000.00
#0235	Rosebud County/Colstrip Building Addition	70,700.00
#0237	City of Forsyth/Water System	193,850.00
#0240	Custer S.D. #15/Classroom Construction	475,000.00
#0241	Daniels Co. Cons. Dist./Water Monitoring	96,638.00

#0243	Northern Cheyenne Tribe/Community Center	317,500.00
#0244	Northern Cheyenne Tribe/Dorm & Student Union	150,000.00
#0245	Rosebud County/Colstrip Capital Equip.	83,700.00
#0246	Rosebud County/Search & Rescue Equip.	30,361.41
#0247	Rosebud County/Mental Health Computer	24,948.00
#0248	Dawson County/Hospital Comp. Plan	30,000.00
#0250	City of Hardin/Sewer Trunk Main	329,400.00
#0251	City of Hardin/Capital Equip.	110,695.00
#0252	City of Forsyth/Comm. Center & Pool	1,123,280.00
	TOTAL.....	\$ 50,694,889.52

APPENDIX B

OFFICE OF BUDGET & PROGRAM PLANNING
 COAL SEVERANCE TAX REVENUE

COAL SEVERANCE TAX COLLECTIONS

ACCT ENTITY	ACCOUNT NAME	ACTUAL FY 76	ACTUAL FY 77	ACTUAL FY 78	ACTUAL FY 79	ACTUAL FY 80	ACTUAL FY 81	ACTUAL FY 82	ACTUAL FY 83	ACTUAL FY 84	CUMULATIVE TOTALS
01100	GENERAL FUND	10,586,333	14,362,422	11,241,693	12,806,812	20,222,379	13,378,906	16,375,301	15,208,546	15,736,452	129,919,248
02403	PUBLIC SCHOOL EQUALIZATION	2,203,181	3,590,606	2,810,392	3,201,679	5,210,070	3,320,751	4,309,342	4,002,249	4,141,172	32,989,442
02405	STATE LIBRARY	0	0	0	0	383,568	352,075	430,934	400,225	414,117	1,980,919
02434	CONSERVATION DISTRICTS	0	0	0	0	0	0	99,325	200,112	207,059	506,496
02437	ALTERNATIVE ENERGY RESEARCH	530,793	897,631	702,598	800,420	1,514,667	1,760,376	2,055,346	1,801,012	1,863,327	11,946,392
02444	COUNTY LAND PLANNING	220,318	339,061	281,039	320,168	521,007	352,075	430,934	400,225	414,117	3,298,944
02445	LOCAL IMPACT	3,833,567	6,283,560	4,798,325	5,399,195	9,030,162	6,161,314	7,541,349	7,003,936	7,247,030	57,320,638
04008	RENEWABLE RESOURCES BOND	330,793	897,631	702,598	800,420	1,302,518	890,188	1,077,336	1,000,362	624,224	7,836,292
04011	WATER DEVELOPMENT	0	0	0	0	0	0	0	0	411,069	411,069
09001	PERMANENT TRUST	0	0	6,268,016	10,672,277	23,024,226	35,207,511	43,093,423	40,022,491	41,411,716	199,699,660
09004	PARK ACQUISITION TRUST	275,398	448,826	331,299	400,210	2,089,639	1,760,376	2,154,671	2,001,125	2,070,565	11,352,109
09005	EDUCATION TRUST	2,203,181	3,590,606	2,742,014	3,085,254	8,993,772	7,041,502	8,618,685	8,004,498	8,282,343	52,363,833
	ACQUISITION OF SITES & AREAS	275,398	448,826	331,299	400,210	1,71,799	0	0	0	0	1,647,332
	COAL AREA HIGHWAY IMPROVEMENT	2,203,181	3,590,606	3,374,514	4,162,183	1,786,708	0	0	0	0	15,117,192
	COUNTIES	1,040,493	1,436,242	748,076	640,336	872,294	0	0	0	0	4,737,441
	TOTAL TAXES	23,964,642	35,906,037	34,372,063	42,689,164	75,123,009	70,413,074	86,186,846	80,044,981	82,823,411	531,527,249

OFFICE OF BUDGET & PROGRAM PLANNING
 COAL SEVERANCE TAX REVENUE

COAL SEVERANCE TAX INTEREST COLLECTIONS

ACCT. ENTITY	ACCOUNT NAME	ACTUAL FY 76	ACTUAL FY 77	ACTUAL FY 78	ACTUAL FY 79	ACTUAL FY 80	ACTUAL FY 81	ACTUAL FY 82	ACTUAL FY 83	ACTUAL FY 84	CUMULATIVE TOTALS
EDUCATION TRUST EARNINGS											
02403	PUBLIC SCHOOL EQUALIZATION	0	45,076	349,669	447,265	582,852	1,172,659	2,376,417	8,230,693	5,107,578	18,311,209
02022	BOARD OF REGENTS	0	15,025	116,223	149,088	194,284	390,886	792,139	2,743,565	1,702,528	6,103,736
09005	EDUCATION TRUST/VO-TECH/ABE	0	6,678	51,653	66,262	86,348	173,727	352,062	1,219,362	756,678	2,712,772
PERMANENT TRUST EARNINGS											
01100	GENERAL FUND	0	0	86,801	712,165	2,118,130	5,099,806	11,726,303	18,520,100	18,947,636	57,210,941
09001	PERMANENT TRUST	0	0	0	0	0	0	0	0	3,343,701	3,343,701
PARK ACQUISITION TRUST EARNINGS											
02408	FISH, WILDLIFE & PARKS	0	0	0	104,007	253,740	490,378	552,367	633,862	618,693	2,653,047
02408	MONTANA ARTS COUNCIL	0	0	0	0	0	0	276,184	316,931	309,346	902,461
TOTAL INTEREST		0	66,779	603,348	1,478,787	3,235,354	7,327,456	16,075,472	31,664,513	30,786,158	91,237,867
TRUST BALANCES AS OF 6/30/84											
PERMANENT TRUST		192,761,293									
PERMANENT TRUST - IN-STATE		10,173,172									
PARK ACQUISITION TRUST		11,565,460									
EDUCATION TRUST		60,925,269									
TOTAL		275,425,194									

APPENDIX C

1 INTRODUCED BY _____ BILL NO. _____

2 BY REQUEST OF THE COAL TAX OVERSIGHT SUBCOMMITTEE
3
4
5 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE USE FOR
6 FOUR YEARS OF COAL SEVERANCE TAX PROCEEDS FOR DEVELOPMENT,
7 OPERATION, AND MAINTENANCE OF ALL STATE PARKS, RECREATIONAL
8 AREAS, MONUMENTS, OR HISTORICAL SITES; AMENDING SECTION
9 15-35-108, MCA; AND PROVIDING AN EFFECTIVE DATE."

10
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
12 Section 1. Section 15-35-108, MCA, is amended to read:
13 "15-35-108. Disposal of severance taxes. Severance
14 taxes collected under the provisions of this chapter are
15 allocated as follows:

16 (1) To the trust fund created by Article IX, section
17 5, of the Montana constitution, 25% of total collections a
18 year. After December 31, 1979, 50% of coal severance tax
19 collections are allocated to this trust fund. The trust fund
20 moneys shall be deposited in the fund established under
21 17-6-203(5) and invested by the board of investments as
22 provided by law.

23 (2) Starting July 1, 1986, and ending June 30, 1987,
24 6% of coal severance tax collections are allocated to the
25 highway reconstruction trust fund account in the state

1 special revenue fund. Starting July 1, 1987, and ending June
2 30, 1993, 12% of coal severance tax collections are
3 allocated to the highway reconstruction trust fund account
4 in the state special revenue fund.

5 (3) Coal severance tax collections remaining after the
6 allocations provided by subsections (1) and (2) are
7 allocated in the following percentages of the remaining
8 balance:

9 (a) to the county in which coal is mined, 2% of the
10 severance tax paid on the coal mined in that county until
11 January 1, 1980, for such purposes as the governing body of
12 the county may determine;

13 (b) 2 1/2% until December 31, 1979, and thereafter
14 4 1/2% to the state special revenue fund to the credit of
15 the alternative energy research development and
16 demonstration account;

17 (c) 26 1/2% until July 1, 1979, and thereafter 37 1/2%
18 to the state special revenue fund to the credit of the local
19 impact and education trust fund account;

20 (d) for each of the 2 fiscal years following June 30,
21 1977, 13% to the state special revenue fund to the credit of
22 the coal area highway improvement account;

23 (e) 10% to the state special revenue fund for state
24 equalization aid to public schools of the state;

25 (f) 1% to the state special revenue fund to the credit

1 (1) all other revenues from severance taxes collected
 2 under the provisions of this chapter to the credit of the
 3 general fund of the state."
 4 NEW SECTION. Section 2. Effective date. This act is
 5 effective July 1, 1985.

-End-

1 of the county land planning account;
 2 (g) 1 1/4% to the credit of the renewable resource
 3 development bond fund;
 4 (h) 5% to a nonexpendable trust fund for the purpose
 5 of parks acquisition or management, protection of works of
 6 art in the state capitol, and other cultural and aesthetic
 7 projects. Income from this trust fund shall be appropriated
 8 as follows:
 9 (i) 1/3 for protection of works of art in the state
 10 capitol and other cultural and aesthetic projects; and
 11 (ii) starting July 1, 1985, and ending June 30, 1989,
 12 2/3 for the acquisition, development, operation, and
 13 maintenance of sites and areas described in 23-1-102 and,
 14 starting July 1, 1989, 2/3 for the acquisition of sites and
 15 areas described in 23-1-102 and the operation and
 16 maintenance of sites so acquired;
 17 (i) 1% to the state special revenue fund to the credit
 18 of the state library commission for the purposes of
 19 providing basic library services for the residents of all
 20 counties through library federations and for payment of the
 21 costs of participating in regional and national networking;
 22 (j) 1/2 of 1% to the state special revenue fund for
 23 conservation districts;
 24 (k) 1 1/4% to the debt service fund type to the credit
 25 of the water development debt service fund;

BILL NO. _____

1 comprehensive planning, economic development planning, and
2 capital improvements planning.

3 (3) At the end of each fiscal year, every local
4 governing body and planning agency receiving funds under
5 this section shall provide an accounting of how the money
6 was spent, in a form acceptable to the department of
7 commerce. Any surplus funds shall revert to the education
8 trust fund account."

9 NEW SECTION. Section 2. Effective date. This act is
10 effective July 1, 1985.

-End-

1 INTRODUCED BY _____
2
3 BY REQUEST OF THE COAL TAX OVERSIGHT SUBCOMMITTEE
4
5 A BILL FOR AN ACT ENTITLED: "AN ACT SPECIFYING ALLOWABLE
6 USES OF COUNTY LAND PLANNING FUNDS; AMENDING SECTION
7 90-1-108, MCA; AND PROVIDING AN EFFECTIVE DATE."
8

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
10 Section 1. Section 90-1-108, MCA, is amended to read:
11 "90-1-108. County land planning assistance. (1) The
12 department of commerce shall annually distribute the funds
13 appropriated to it from the county land planning account.
14 Each county shall be allotted \$3,000. After this
15 disbursement has been made, 40% of the balance in the
16 account shall be apportioned to the counties according to
17 the ratio of each county's land area to the total land area
18 of the state and 60% of the balance shall be apportioned to
19 the counties according to each county's portion of the total
20 population of the state. If a multijurisdictional planning
21 board has been established in the county, it may receive and
22 expend part or all of the funds allocated to that county.

23 (2) Counties, cities, or joint planning boards
24 receiving funds under this section shall use such funds for
25 land planning purposes, which include but are not limited to

1 governmental units and federally recognized Indian tribes in
 2 meeting the local impact of coal development by enabling
 3 them to adequately provide governmental services and
 4 facilities which are needed as a direct consequence of coal
 5 development. As used in the preceding sentence, "revenue
 6 paid" does not include interest income from the account
 7 reinvested in the account in trust for the public schools
 8 and the university system. Grants and loans may be from
 9 current allocations only, and no part of the principal or
 10 income of the trust referred to in 90-6-211 may be used for
 11 this purpose. The money derived from loan repayments,
 12 including the interest thereon, must be deposited to the
 13 credit of the local impact fund referred to in 90-6-202¹;
 14 (6) award a grant to a local government unit for the
 15 purpose of paying for part or all of the credit that the
 16 local government unit is obligated to give to a major new
 17 industrial facility that has prepaid property taxes under
 18 15-16-201. The board must award the grant in accordance with
 19 90-6-206¹ and

20 (7) award grants and loans, subject to 90-6-207, from
 21 the impact of decline account to local governmental units
 22 that are unable to meet normal governmental obligations as a
 23 direct consequence of the decline of coal-related
 24 activities. The money derived from repayment of loans,
 25 including the interest thereon, must be deposited to the

1 credit of the impact of decline account referred to in
 2 90-6-202(3), except that any repayment or portion of a
 3 repayment, including interest, which causes the balance of
 4 the impact of decline account to exceed \$20,000,000 must be
 5 deposited in the local impact and education trust fund
 6 account."

7 Section 3. Section 90-6-207, MCA, is amended to read:
 8 "90-6-207. Priorities for impact grants and impact of
 9 decline grants. (1) The department-of--commerce coal board
 10 shall annually designate counties, incorporated cities and
 11 towns, school districts, and other governmental units which
 12 have had or expect to have as a result of the impact of coal
 13 development or as the result of the impact of the decline of
 14 coal-related activities a net increase or a net decrease,
 15 respectively, in estimated population of at least 10% over
 16 one of the 3-year periods specified in subsection (2). The
 17 coal board shall, subject to the appropriations of the
 18 legislature, award at least 50% 25% of all grants awarded to
 19 governmental units and state agencies for meeting the needs
 20 caused by coal development or by decline of coal-related
 21 activities each year to these designated governmental units.
 22 (2) For the purposes of subsection (1), the department
 23 of--commerce coal board shall use five 3-year periods as
 24 follows:

25 (a) one consecutive 3-year period ending 2 calendar

1 years prior to the current calendar year;
 2 (b) one consecutive 3-year period ending 1 calendar
 3 year prior to the current calendar year;
 4 (c) one consecutive 3-year period ending with the
 5 current calendar year;
 6 (d) one consecutive 3-year period ending 1 calendar
 7 year after the current calendar year; and
 8 (e) one consecutive 3-year period ending 2 calendar
 9 years after the current calendar year.

10 (3) Attention should be given by the coal board to the
 11 need for community planning before the full impact is
 12 realized. Applicants should be able to show how their
 13 request reasonably fits into an overall plan for the orderly
 14 management of the existing or contemplated growth problems.

15 (4) All funds placed in the local impact and
 16 educational trust fund account established under this part,
 17 subject to the limitations imposed by 90-6-211, shall be
 18 subject to appropriations by the legislature for use related
 19 to local impact or for transfer to a permanent trust for
 20 education.

21 (5) All funds placed in the impact of decline account
 22 established under this part shall be subject to
 23 appropriation by the legislature for use as provided in
 24 90-6-205(7)."

25 Section 4. Section 90-6-208, MCA, is amended to read:

1 "90-6-208. Applications for grants or loans. The
 2 governing body of a city, town, county, school district, any
 3 other local or state governmental unit or agency, or the
 4 governing body of a federally recognized Indian tribe may
 5 apply for a grant or a loan to enable it to provide
 6 governmental services which are needed as a direct
 7 consequence of coal development or as a direct consequence
 8 of the decline of coal-related activities. The coal board
 9 shall prescribe the form for applications. Applicants shall
 10 describe the nature of their proposed expenditures and the
 11 time involved."

12 Section 5. Section 90-6-211, MCA, is amended to read:
 13 "90-6-211. Disposition of interest from unexpended
 14 balance. The unexpended balance balances in the local impact
 15 and education trust fund account and in the impact of
 16 decline account shall be invested as provided by statute by
 17 the board of investments. Of the income from such
 18 investments each year 10% shall be paid into the state
 19 special revenue fund for use by the superintendent of public
 20 instruction for purposes of the postsecondary
 21 vocational-technical centers and adult basic education
 22 programs in the state, subject to the budgeting authority of
 23 the legislature. Within the account under 20-9-513, the
 24 revenue is shared between the postsecondary
 25 vocational-technical centers and the adult basic education

1 programs. Of the remaining 90% of the income from such
2 investments, three-fourths shall be annually paid into the
3 state special revenue fund for state equalization aid to
4 public schools of the state and one-fourth each year shall
5 be paid to the board of regents of higher education for use
6 by the institutions of higher learning in the state, subject
7 to the budgeting authority of the legislature. Except as
8 provided in 90-6-205(4), the principal of the local impact
9 and educational trust fund shall be dedicated to education
10 and forever remain inviolate and sacred to this purpose as
11 provided in sections 3 and 10 of Article X of the Montana
12 constitution."

13 Section 6. Section 17-7-304, MCA, is amended to read:

14 "17-7-304. Disposal of unexpended appropriations --
15 exception. All moneys appropriated for any specific purpose
16 shall, after the expiration of the time for which so
17 appropriated, revert to the several funds and accounts from
18 which originally appropriated, except as provided in
19 90-6-202(3). However, any unexpended balance in any specific
20 appropriation may be used for the years for which the
21 appropriation was made."

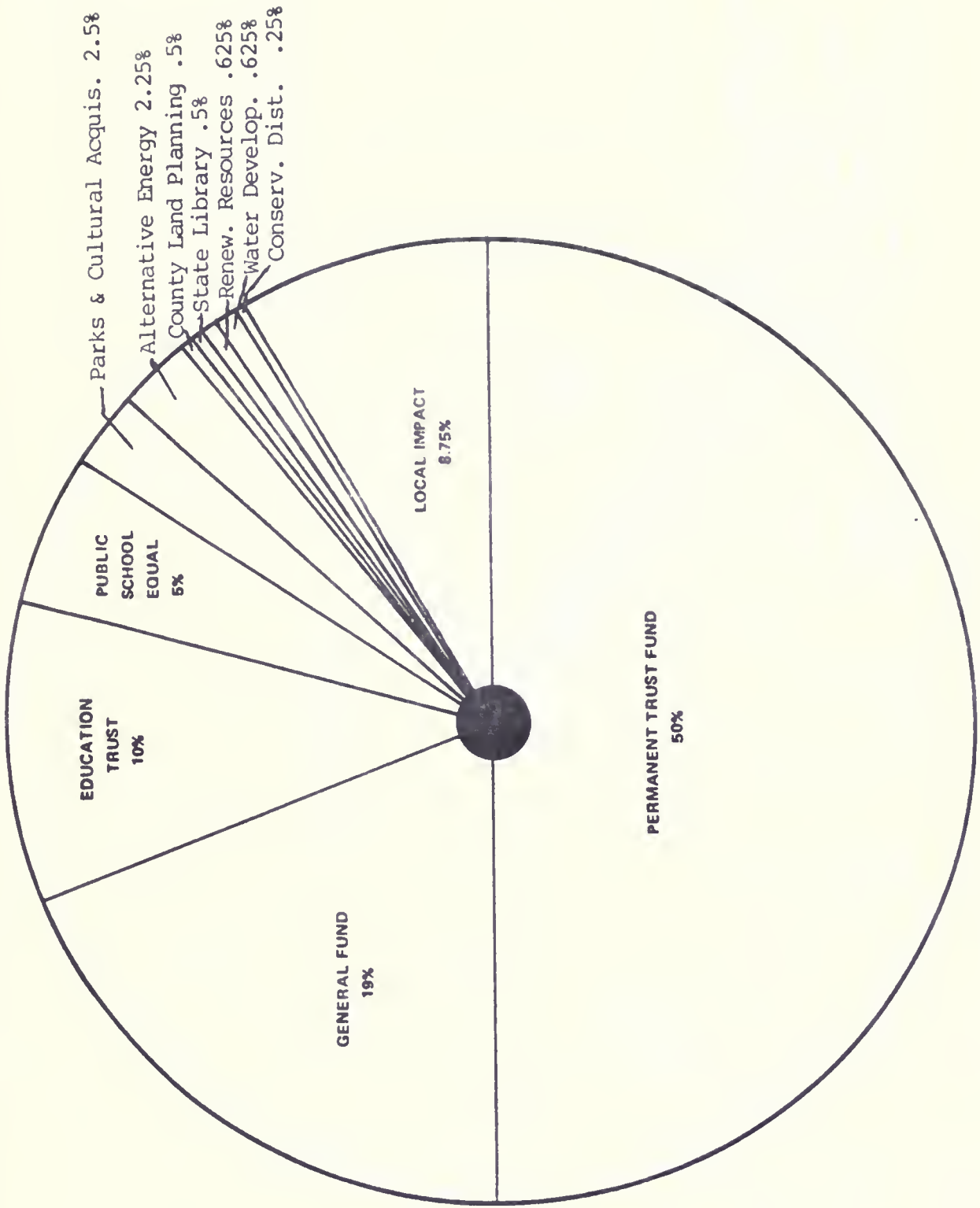
22 NEW SECTION. Section 7. Effective date. This act is
23 effective on passage and approval.

-End-

APPENDIX D

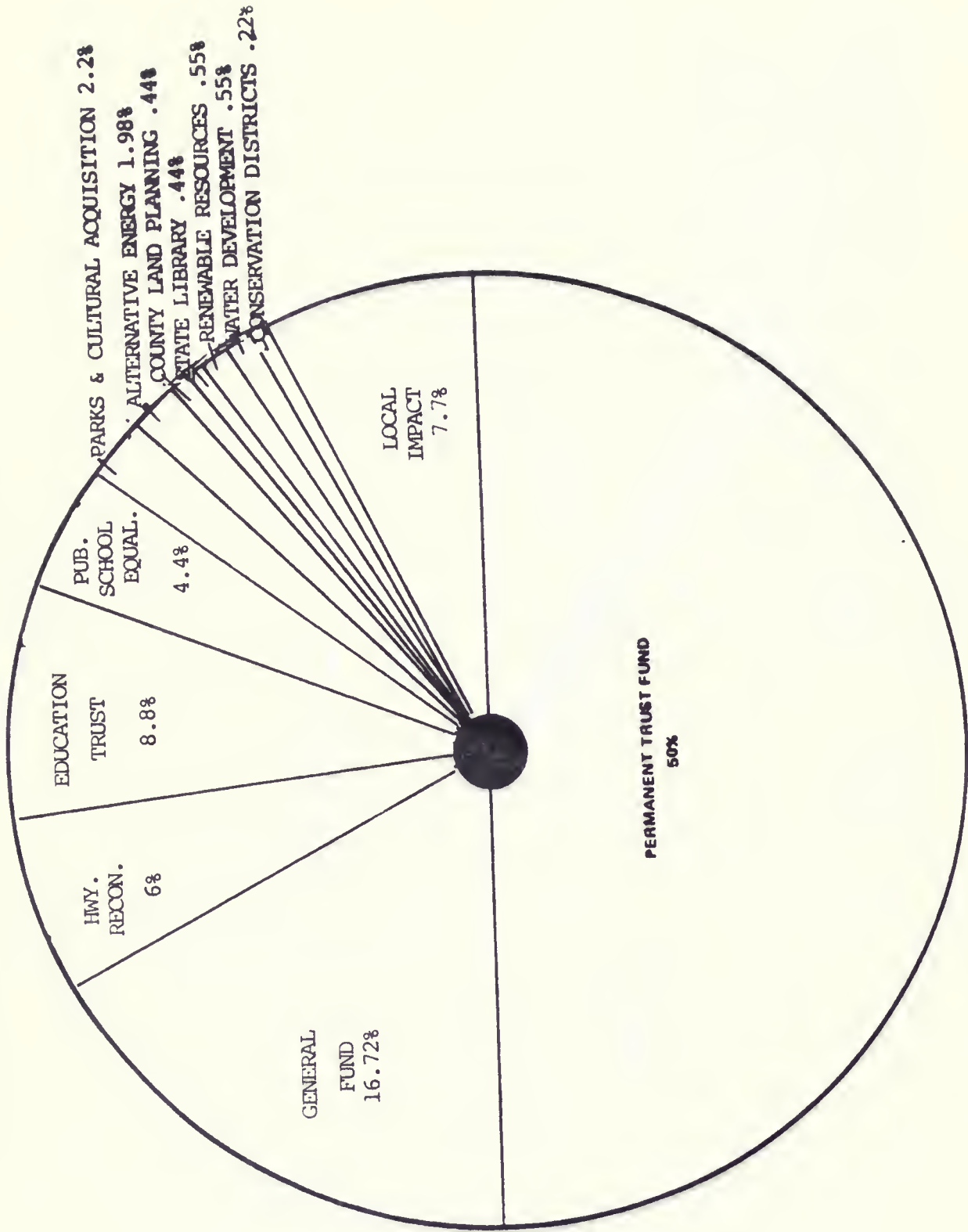
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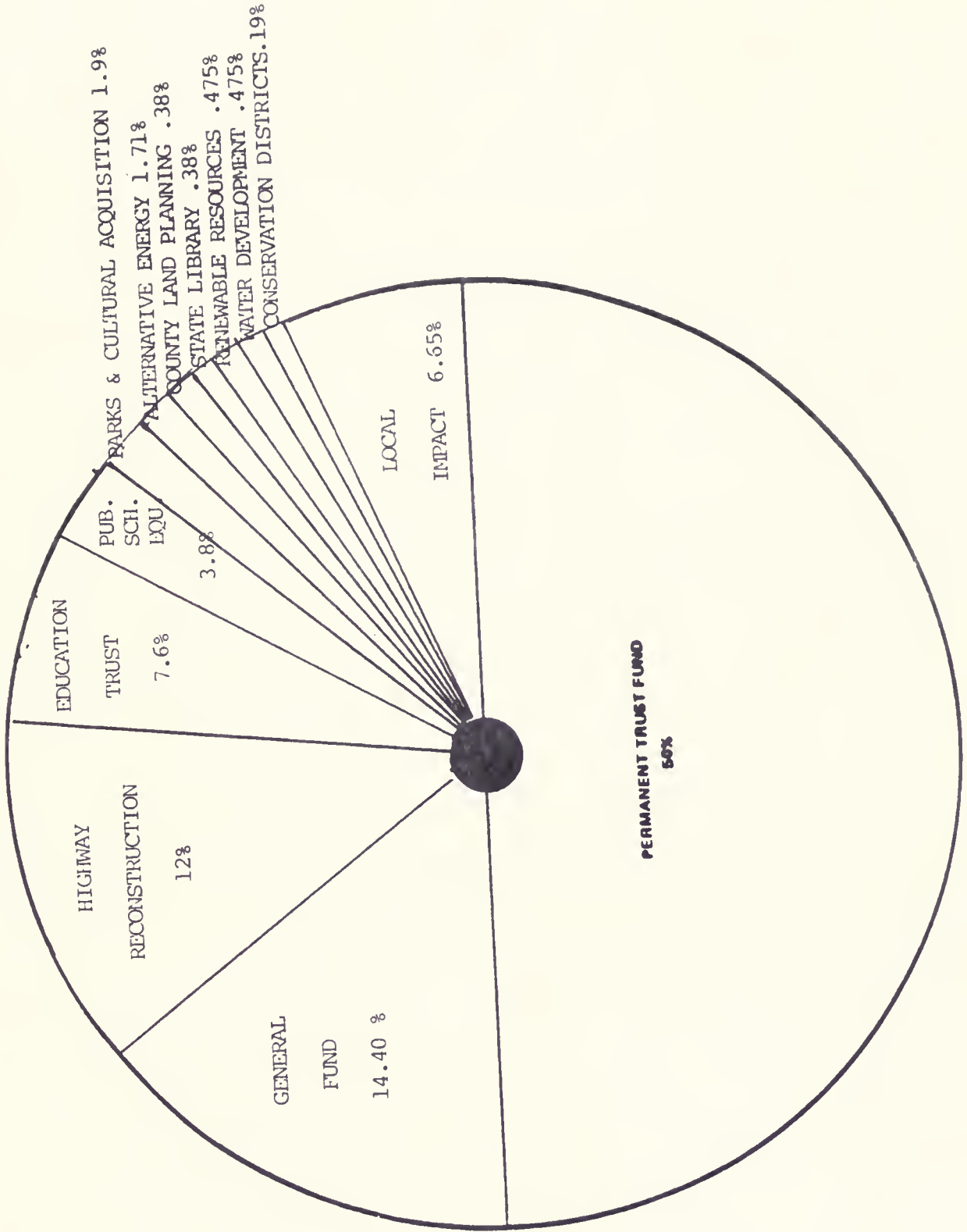
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